

TIPS & ADVICE

TAX ADVICE

Making Tax Digital for Income Tax Guide

Contents

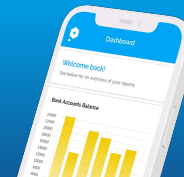
- 01 What is Making Tax Digital for Income Tax?
- 02 What will change when signing up for MTD IT?
- 04 Does MTD IT affect freelancers?
- 06 What are the benefits of MTD IT?
- 07 How do I find MTD compatible software?
- 08 Will I be enrolled onto MTD IT automatically?
- 09 Remaining compliant for MTD IT

What is Making Tax Digital for Income Tax?

Making Tax Digital for Income Tax (MTD IT) changes how self-employed freelancers, sole traders, and anyone with property income records and reports their earnings and expenses to HMRC.



**Income Tax simplified
with Pandle.**



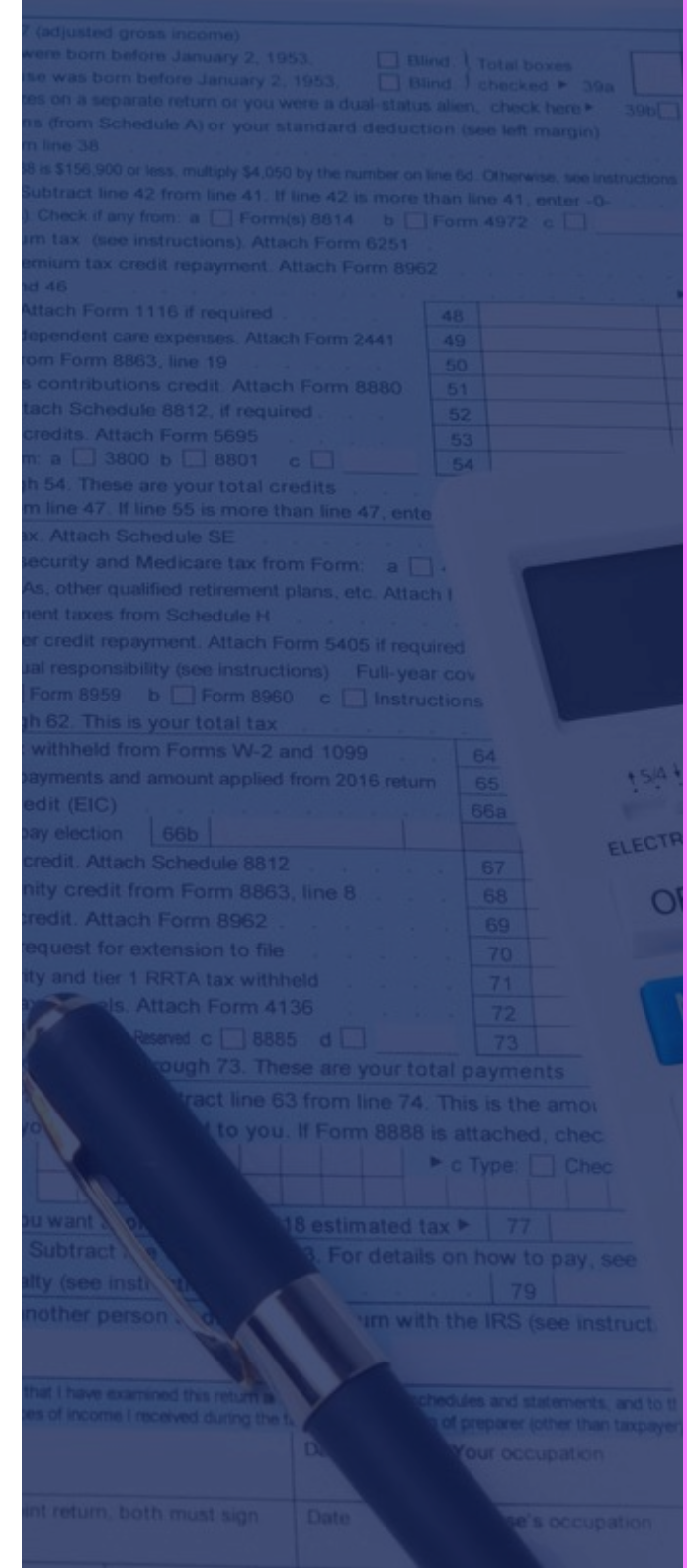
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What will change when signing up for MTD IT?

Most freelancers operate as self-employed and submit a Self Assessment each year.

Whilst your tax status as a sole trader will remain the same, the process will change, completely replacing the Self Assessment. Instead, you'll keep digital records and submit them through a series of quarterly updates – using MTD compliant software.

As well as sending quarterly updates about your freelance and/or property income, you'll need to submit a final MTD-compliant tax return for the year – which will include any other income you receive too. This is due 31st January – replacing the Self Assessment return (which makes life easier).





What a standard MTD Income Tax year looks like

Once you join MTD, you'll need to submit updates every three months. The deadline for everyone is the 7th of the month after each quarter ends. Each update will include everything from the start of the tax year and then the most recent quarter. So, it should look like this:

- **Quarter 1 (6th Apr – 5th Jul):** Deadline **7th August**
- **Quarter 2 (6th Jul – 5th Oct):** Deadline **7th November**
- **Quarter 3 (6th Oct – 5th Jan):** Deadline **7th February**
- **Quarter 4 (6th Jan – 5th Apr):** Deadline **7th May**

The tax return (and payment) is due 31st of January the following year.

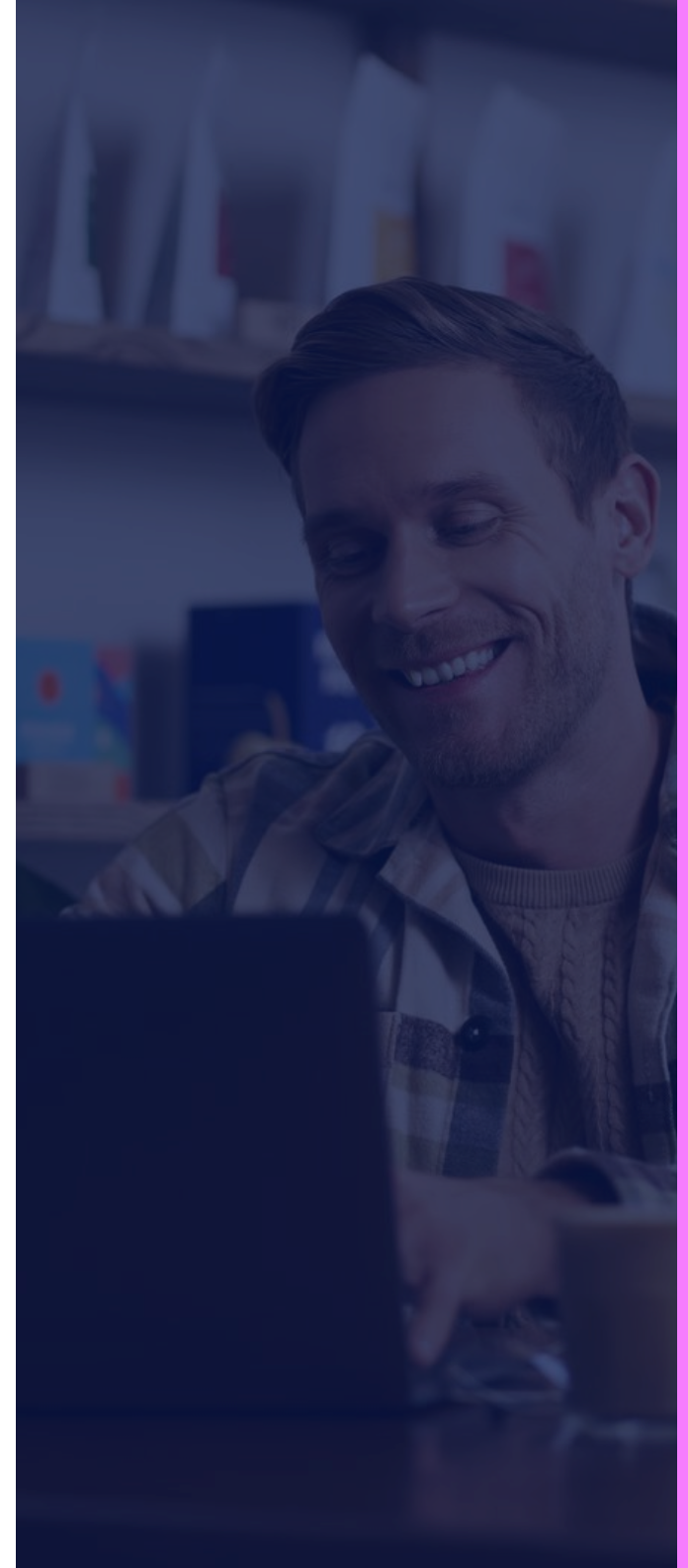
It's important to note that if you operate multiple businesses, or if you're both a freelancer and a landlord, you need to submit separate quarterly updates for each trade (but you'll aggregate multiple UK properties into a single report).

Does MTD Income Tax affect freelancers?

If you operate as a freelancer and report your earnings via Self Assessment, the answer is maybe. It all depends on your 'qualifying' income, which is the total income you make in a tax year from self-employment and/or property.

If your qualifying income is:

- £50,000+ in the 2024/25 tax year: MTD is mandatory from 6th April 2026
- £30,000+ in the 2025/26 tax year: 6th April 2027
- £20,000+ in 2026/27: From April 2028



Calculating your qualifying income

Add up the gross income you get from freelancing, and any other self-employed or property rental income throughout the tax year.

Quick note: When calculating your qualifying income, it's important to leave out any PAYE salary, dividends, bank interest or pension income – these do not count towards it.

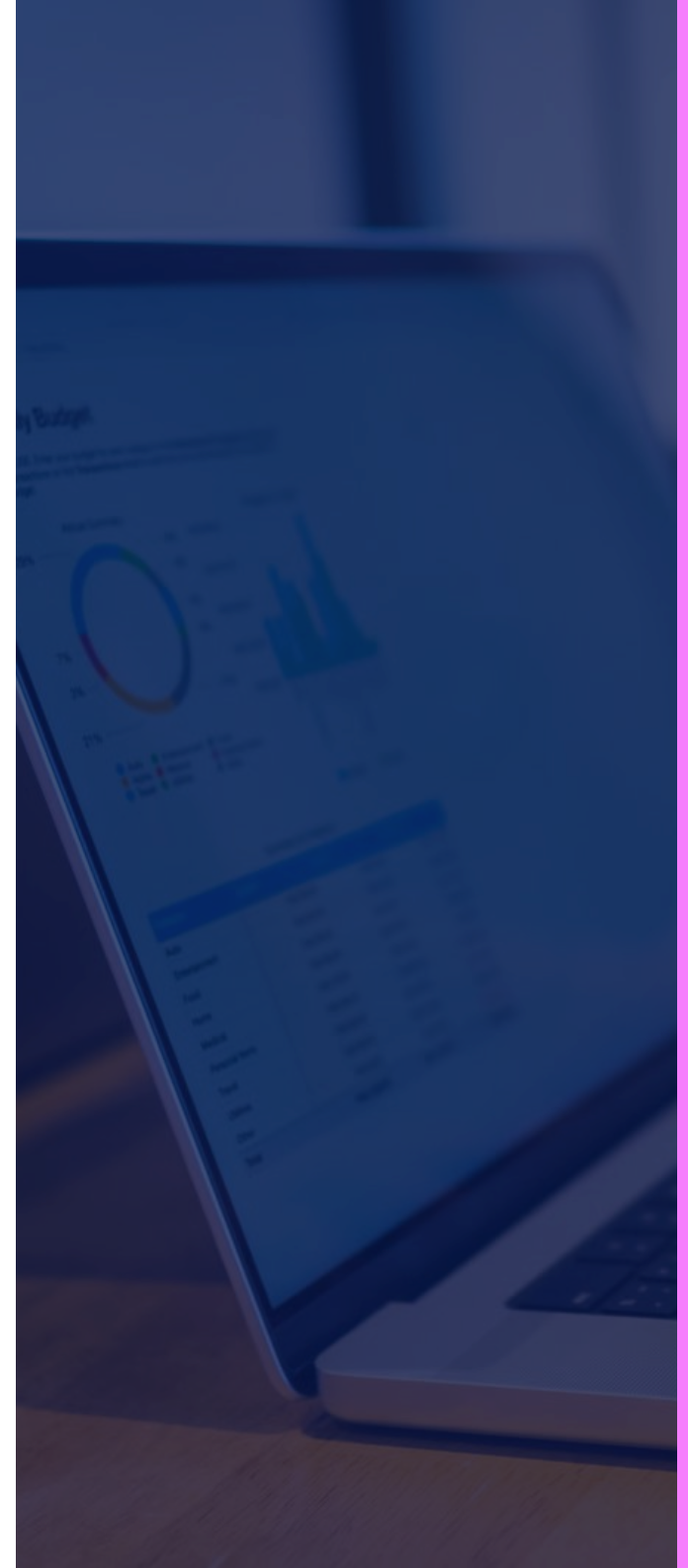
You won't include these in your quarterly updates either, but they will be included in your final tax return.

What are the **benefits** of MTD IT?

For freelancers, switching to digital accounting under Making Tax Digital (MTD) can save time, reduce errors, and give better control over your finances. Key benefits include:

- Faster, more efficient filing and submission of returns
- Streamlined online tax payments
- Reduced risk of mistakes thanks to automation
- Improved accuracy and fewer incorrect payments
- Eco-friendly, paperless record keeping
- Easy access to financial information year-round
- Clearer overview of your tax profile
- Fewer surprises from HMRC compliance checks

Starting early helps you get comfortable with the system while enjoying the advantages of digital bookkeeping.



How do I find MTD compatible software?

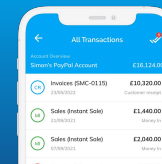
The good news? Thanks to all the MTD delays, there's now a wide range of software readily available. Freelancers looking for the right solution should start by checking HMRC's official list here.

Popular MTD-friendly options include Xero, FreeAgent, Pandle, Sage, and !Coconut. Many of these platforms offer free trials, which we highly recommend - after all, you don't want to be locked into a contract with software that ends up being more frustrating than helpful. It's worth noting that some platforms, like Pandle, operate on a rolling monthly basis so you won't be tied into a contract either way.

It's important to do your research. Shopping around doesn't just stop at the cost, ensure there's a user-friendly interface, strong customer support, and good automation.

If software isn't for you, and you prefer working with spreadsheets, you can still do that - you'd just need to use bridging software to submit the data to HMRC.

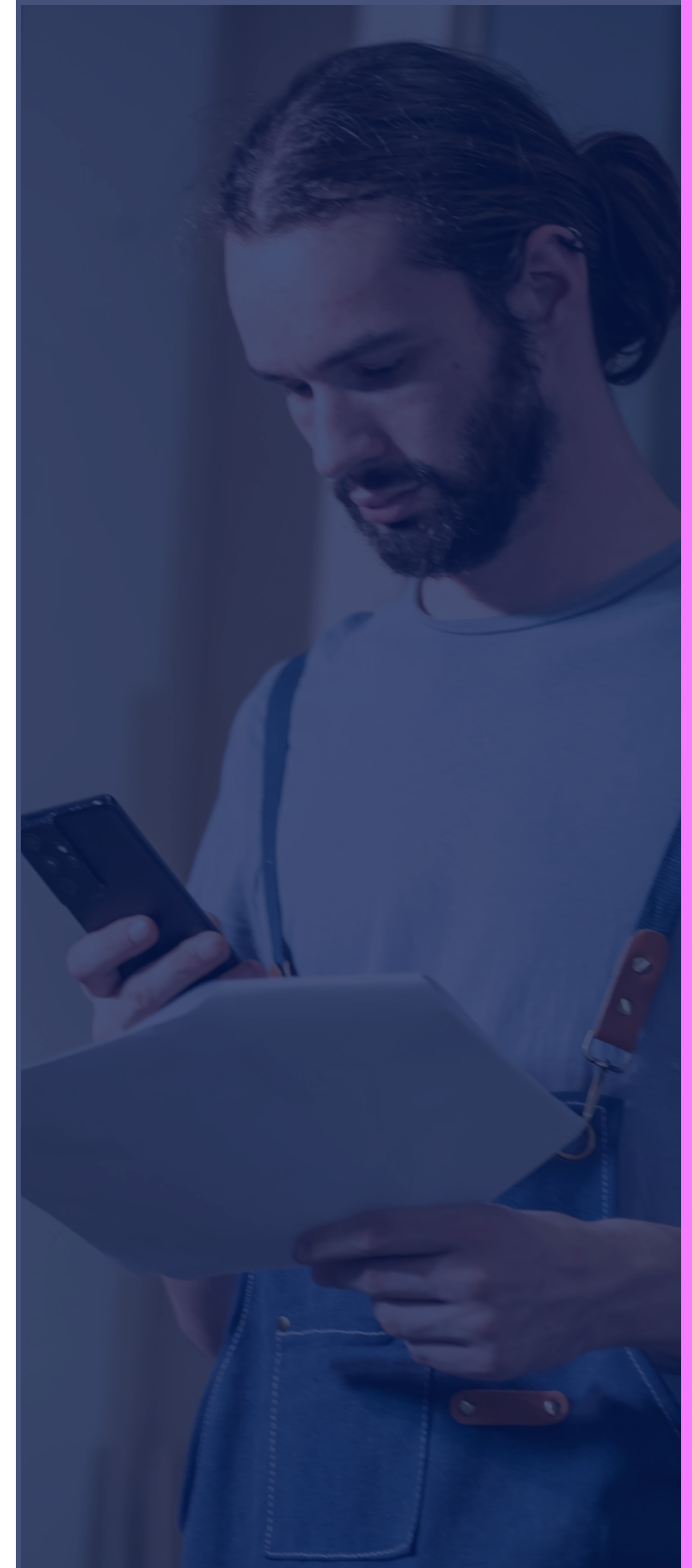
**Freelancer finances
made easy.**



[Learn more](#)

Will I be enrolled onto MTD IT automatically?

No! Registration to Making Tax Digital for Income Tax isn't automatic. You need to sign up separately, even if you're already using Self Assessment or you use MTD VAT. You can speak to an accountant who can help you with this or use an agent who can sign you up on your behalf.





Remaining **compliant** for MTD IT

To stay compliant with Making Tax Digital for Income Tax, follow these six straightforward steps:

1. Sign up

- Register for MTD either through the HMRC online service or via your accountant.

2. Use compatible software

- Ensure your accounting software is MTD-compatible to keep digital records and submit updates.

3. Keep digital records

- Maintain digital records of all income and expenses.
- Paper records alone are no longer sufficient under MTD rules.

4. Submit regular updates

- Send Income Tax updates to HMRC every 3 months.
- You can also submit updates more frequently if you prefer.

5. Finalise your income

- Accurately calculate your business and personal income, including any reliefs claimed.

6. Submit your final declaration

- At the end of your accounting period, submit a final declaration and pay your tax bill.

Technology requirements

Following MTD rules requires:

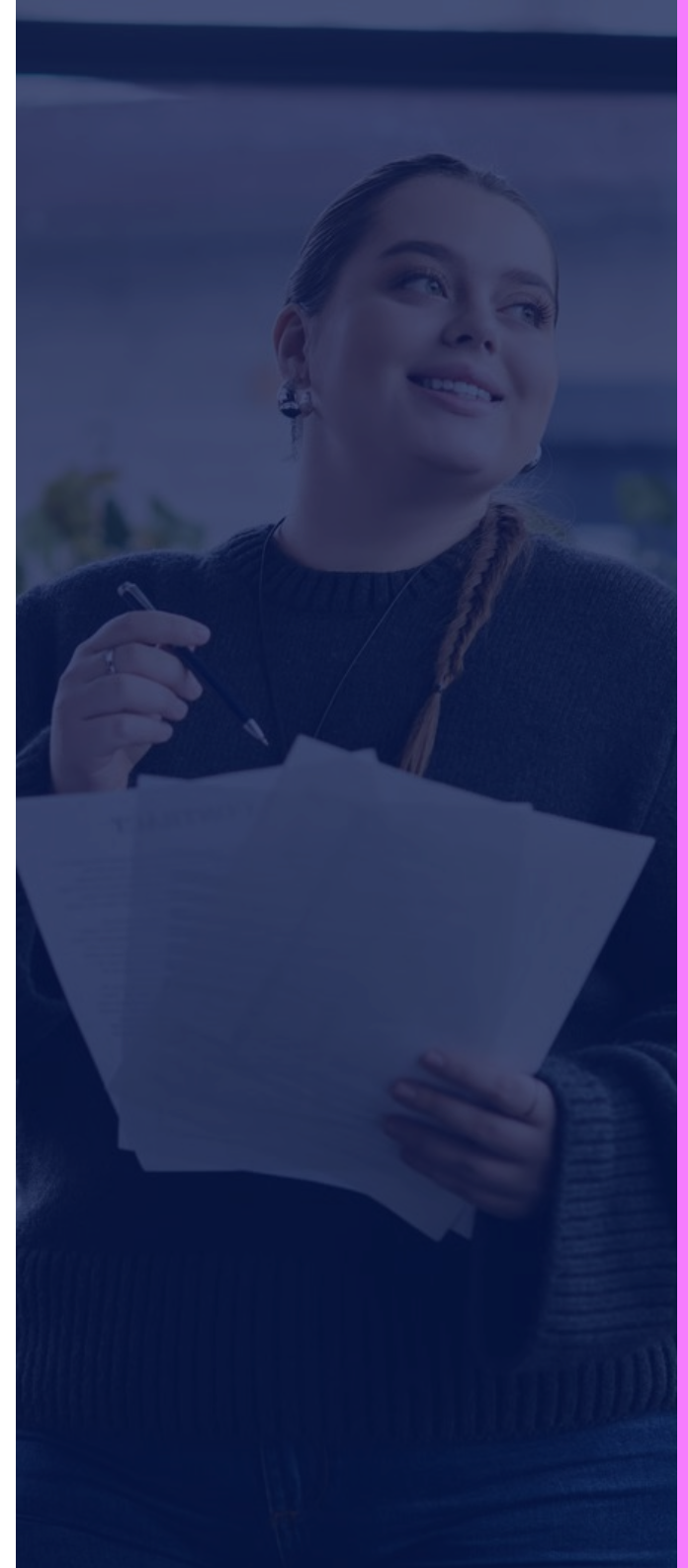
- Access to technology (computer, tablet, or smartphone)
- Ability to use digital tools for record-keeping
- A reliable internet connection

Exemptions

HMRC may exempt businesses or landlords from electronic requirements if they cannot use technology due to factors such as:

- Age
- Disability
- Remote location

Proof may be required to confirm eligibility for exemption.



Got a Question?

Need more clarity on Making Tax Digital as a freelancer? [Drop us a line](#) - your question could feature in the next edition of this guide.

Contact us